

Message Text

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54

ACTION NEA-16

INFO OCT-01 ISO-00 EB-11 CIAE-00 INR-10 NSAE-00 RSC-01

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R 041246Z JUN 74

FM AMEMBASSY KUWAIT

TO USDOC WASHDC

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AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY CAIRO

AMEMBASSY JIDDA

AMEMBASSY MANAMA

AMEMBASSY TEHRAN

LIMITED OFFICIAL USE KUWAIT 2296

EO 11652: NA

TAGS: EIND, BMEP, KU

SUBJ: KUWAIT STEEL MILL AMBUSHED

REF: A) KUWAIT 1920; B) KUWAIT 1836; C) KUWAIT 1536 AND PREVIOUS

SUMMARY: KEY BACKERS OF SUBJECT PROJECT WHICH SCHEDULED FOR TENDER ON JUNE 8 INFORMED BY CROWN PRINCE/PRIME MINISTER, HE REFERRING PROJECT TO PLANNING BOARD FOR FURTHER STUDY. PLANNING BOARD KNOWN TO OPPOSE PROJECT AND THIS DECISION CALLS INTO QUESTION ABILITY INFLUENTIAL BACKERS OF MILL TO GO AHEAD WITH PROJECT. PLANNING BOARD, WHICH NOW DRAWING UP NEW FIVE YEAR PLAN, COVETS INCREASED ROLE FOR ITSELF IN COUNTRY'S ECONOMIC AND SOCIAL DEVELOPMENT, AND THIS PROJECT CAN BE VIEWED AS A TEST OF TO WHAT EXTENT THE PRIVATE SECTOR WILL BE ALLOWED TO INITIATE AND CONTROL MAJOR INFRASTRUCTURE PROJECTS. WHILE IT TOO EARLY PREDICT FINAL DECISION ON PROJECT, COMMERCE SHOULD INFORM INTERESTED US STEEL COMPANIES OF THIS DEVELOPMENT.
END SUMMARY

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1. EMBOFF INFORMED BY GM, KUWAIT IRON AND STEEL, THAT SEVERAL

COMPANY'S PRINCIPAL INVESTORS MET ON JUNE 3 WITH CROWN PRINCE/ PRIME MINISTER WHO INFORMED THEM HE WAS REFERRING PROJECT TO KUWAIT PLANNING BOARD FOR "FURTHER STUDY." KISC HAD APPROVED ALL TENDER DOCUMENTS DRAWN UP BY UK CONSULTANT JOHN MILES AND HAD RECENTLY PUBLISHED NOTICES IN THE LOCAL PRESS ANNOUNCING THE PROJECT WOULD BE TENDERED ON JUNE 8.

2. HOWEVER, AS REPORTED IN REF C PLANNING BOARD HAS NEVER BEEN RECONCILED TO THE PROJECT, AND IT WAS FELT KISC WOULD HAVE TO MOVE QUICKLY TO FORESTALL THEIR OPPOSITION. NOW SEEMS PLANNING BOARD AFTER SEVERAL MONTHS EFFORT WERE ABLE TO PERSUADE PM THAT PROJECT WAS POTENTIALLY UNECONOMIC AND A MAJOR ENVIRONMENTAL POLLUTER. HOWEVER, IT DOUBTFUL PLANNING BOARD ALONE ABLE TO STALL GROUP OF PROJECT SUPPORTERS THAT INCLUDES MANY LEADING KUWAITI BUSINESSMEN, POLITICIANS, AND TOP GOVERNMENT OFFICIALS. WE HAVE HAD SEVERAL PLAUSIBLE BUT UNCONFIRMED REPORTS THAT OTHER POWERFUL KUWAITIS EXCLUDED FROM ROLE IN PROJECT MAY HAVE BEEN QUIETLY LOBBYING AGAINST PROJECT.

3. SINCE KISC HAS BUDGETED A SUBSTANTIAL AMOUNT OF MONEY TO DEAL WITH POTENTIAL POLLUTION PROBLEMS, IT LIKELY ISSUES MORE BASIC THAN MERELY PROJECT'S ENVIRONMENTAL IMPACT OR PROFIT-MAKING POTENTIAL. PLANNING BOARD IS PRESENTLY DRAWING UP A FIVE YEAR PLAN WHICH SCHEDULED TO COMMENCE 1975, AND STEEL MILL WOULD BE BY FAR LARGEST AND MOST PRESTIGIOUS INDUSTRIAL VENTURE IN WHICH PRIVATE CAPITAL ENJOYED MAJORITY CONTROL. IT KNOWN THAT PLANNING BOARD WISHES CREATE LARGER ROLE FOR ITSELF IN HARNESSING AND CHANNELING COUNTRY'S ECONOMIC AND SOCIAL DEVELOPMENT, AND CLEARLY INITIATIVE BY PRIVATE SECTOR ON PROJECT THIS MAGNITUDE WHICH WILL HAVE IMPORTANT IMPACT ON KUWAIT'S INDUSTRIAL DEVELOPMENT AND LABOR MARKET IS INCOMPATIBLE WITH THE BOARD'S ASPIRATIONS.

4. THE ISSUE HAS NOW BEEN EFFECTIVELY JOINED AND THE OUTCOME IS LIKELY TO SIGNAL EXTENT TO WHICH PRIVATE SECTOR CAN GO IN INITIATING AND PARTICIPATING IN IMPORTANT INDUSTRIAL VENTURES. PLANNING BOARD HAS CERTAINLY WON MAJOR BATTLE IN WINNING RIGHT TO REVIEW PROJECT. ON OTHER HAND, CONSENSUS BUILDING IS THE PREFERRED METHOD OF DECISION-MAKING IN KUWAIT, AND PROJECT'S SPONSORS MAY BE ABLE TO SOFTEN OPPOSITION TO PROJECT BY WIDENING LIMITED OFFICIAL USE

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NUMBER OF "FOUNDERS" AND TAKING INTO ACCOUNT, WHERE POSSIBLE, PLANNING BOARD'S OBJECTIONS TO PROJECT. A JUDGEMENT AS TO WHETHER PROJECT WILL BE KILLED OR MERELY IN TEMPORARY HOLDING PATTERN, WOULD BE PREMATURE AND WILL HAVE TO AWAIT FURTHER DEVELOPMENTS.

5. REQUEST COMMERCE NOTIFY USS STEEL ENGINEERS, SWINDELL DRESSLER, MESTA MACHINE CO, ARMCO/FOSTER WHEELER GROUP, AND BETHLEHEM STEEL (BETHLEHEM'S PENSION FUND MANAGER RECENTLY

VISITED KUWAIT AND TOOK INTEREST IN PROJECT) OF SUBSTANCE
THIS MESSAGE.
STOLTZFUS

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Message Attributes

Automatic Decaptioning: X
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